

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 EB-11 COME-00 CIAE-00 INR-10 NSAE-00

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R 291042 Z MAR 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3428

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E. O. 11652: N/ A

TAGS: ETRA, IN

SUBJ: VISIT BY VICE PRESIDENT, ABBOTT LABORATORIES

REF: STATE 52234

1. SUMMARY. ABBOTT LABORATORIES VISITORS CALLED ON AMBASSADOR MARCH 28, ALSO HAD LONG CONSULTATIONS WITH EMBASSY COMMERCIAL SECTION AND USAID MISSION TO INDIA. ABBOTT LABORATORIES RECEIVING FULL SUPPORT. ACTION REQUESTED. NONE. END SUMMARY

2. B. H. SEMLER, VICE PRESIDENT FINANCE, AND J. P. DEHASETH, REGIONAL VICE PRESIDENT, BOTH FROM ABBOTT LABORATORIES, CHICAGO, WERE RECEIVED BY AMBASSADOR MARCH 28. AMBASSADOR ASSURED VISITORS OF EMBASSY'S WILLINGNESS PROVIDE FULL SUPPORT WHEREVER ABBOTT LABORATORIES FEEL THIS DESIRABLE.

3. SEMLER AND DEHASETH DISCUSSED ABBOTT'S LONG- STANDING PROPOSAL TO EXPAND ITS PRODUCTION FACILITIES IN INDIA. THEY HOPE TO GET GOI TO SPEED UP APPROVAL OF ABBOTT'S INVESTMENT APPLICATION (GOI LETTER OF INTENT ISSUED IN 1970) FOR CONSTRUCTION OF \$4 MILLION ANTIBIOTICS PLANT NEAR BOMBAY. ABBOTT IS HAVING DIFFICULTY WITH GOI IN TWO AREAS: A) THE EXTENT TO WHICH THE PARENT COMPANY MUST REDUCE ITS EQUITY HOLDING IN ITS INDIAN SUBSIDIARY AND B) SUPPLY OF RAW MATERIAL IMPORTS FOR THE LOCAL PLANTS.

4. AT PRESENT ABBOTT LABORATORIES INDIA (ALI) IS A WHOLLY- OWNED SUBSIDIARY. SEMLER SAID THAT IN CONJUNCTION WITH THE

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PLANNED EXPANSION, COMPANY IS WILLING TO REDUCE ITS EQUITY TO 74 PERCENT THUS ALLOWING LOCAL INVESTORS MEANINGFUL SHARE IN MANAGEMENT. HE ADDED THAT ABBOTT WILLING TO SEE THIS FIGURE GRADUALLY DROP TO ABOUT 50 PERCENT. GOI UNWRITTEN GUIDELINE FOR FOREIGN INVESTORS DESIRING TO DIVERSIFY OR EXPAND IS IMMEDIATE REDUCTION IN FOREIGN EQUITY TO 40 PERCENT. RECENTLY GOI EXPRESSED ITS INTENTION TO FORMALIZE THIS GUIDELINE BY INCLUSION IN DRAFT FOREIGN EXCHANGE LEGISLATION, UTILIZING PHASED REDUCTION TO 40 PERCENT. SEMLER WILL MEET JOINTLY WITH OFFICIALS OF ALL INTERESTED GOI AGENCIES FRIDAY MARCH 30, TO ATTEMPT TO WORK OUT AGREEMENT ON EQUITY.

5. ABBOTT'S LICENSE APPLICATION COMPLICATED BY FACT THAT RECENTLY GOI HAS SWITCHED TO IMPORTS OF POLISH DRUG RAW MATERIALS THROUGH THE STATE TRADING CORPORATION (STC) IN PLACE OF ABBOTT PRODUCTS, MANUFACTURED BY ABBOTT IN THE US, AND FORCED ALI TO UTILIZE THESE. ABBOTT LABORATORIES WISHES TO REGAIN AT LEAST PART OF THE LOST RAW MATERIAL EXPORT SALES TO ITS INDIAN SUBSIDIARY, EITHER ON A CONTINUING BASIS OR IN OCCASIONAL LARGE SHIPMENTS. THEY HAVE PROPOSED BARTER DEAL INVOLVING EXPORTS FROM THEIR NEW ALI PLANT IN INDIA BUT GOI HAS TURNED IT DOWN ON GROUNDS THAT DOMESTIC INDIAN DEMAND WILL ABSORB ENTIRE PRODUCTION ONCE ALI PLANT GOES ON STREAM. MAJOR ARGUMENT USED BY STC IS FACT THAT POLISH IMPORTS INVOLVE NO FOREIGN EXCHANGE. SEMLER SAID ABBOTT IS PREPARED TO MEET POLISH PRICE BUT IS AFRAID INDIANS WILL ENCOURAGE POLES TO MAKE RETALIATORY PRICE CUT. HE IS PREPARED TO OFFER A COMPLICATED NEW PROPOSAL WHICH WOULD ALLOW ABBOTT TO MAKE AN INTEREST FREE LOAN TO GOI FOR PURCHASE OF ABOUT \$1 MILLION OF RAW MATERIALS. THE LOAN WOULD BE REPAYED BY ALLOWING ABBOTT TO REPURCHASE PART OF EQUITY WHICH MANDATORILY REVERTS (20 PERCENT OF REPAYMENTS ARE CONVERTIBLE TO EQUITY UNDER INDIAN LAW) TO INDIAN LENDING INSTITUTIONS WHICH WILL HELP FINANCE NEW PLANT. EMBASSY COMMERCIAL COUNSELOR RECOMMENDED THAT IN ADDITION TO MEETING WITH GOI OFFICIALS SEMLER CONTACT CHAIRMAN STC AND DISCUSS THIS AND OTHER POSSIBLE WAYS OF ALLOWING ABBOTT TO RESUME DRUG RAW MATERIAL SALES. DEHASETH MENTIONED SCHEME USED IN TURKEY INVOLVING BARTER OF TURKISH HANDICRAFTS WHICH HELPED OVERCOME FOREIGN EXCHANGE CONSTRAINT.

6. SEMLER ALSO ASKED ABOUT AVAILABILITY OF RECENTLY UNFROZEN AID NON-PROJECT LOAN TO FINANCE IMPORTS OF PHARMACEUTICAL RAW LIMITED OFFICIAL USE

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MATERIALS. HE WAS TOLD THAT GOI HAD ASSIGNED HIGHER PRIORITY

TO FERTILIZERS AND ELECTRICAL GENERATING EQUIPMENT AND THAT THESE TWO CATEGORIES COULD EASILY UTILIZE ALL OF THE FUNDS. IN THE INTERIM W. K. FECHNER, ASSISTANT TREASURER, ABBOTT LABORATORIES, DISCUSSED ALL ASPECTS OF POSSIBLE UTILIZATION USAID FUNDS WITH CAPITAL DEVELOPMENT OFFICE OF USAID.

7. SEMLER STRESSED THAT ABBOTT WAS PREPARED TO LOSE ON THE MATTER OF RAW MATERIAL SALES BUT THEY HOPED TO EXPLORE ALL POSSIBLE AVENUES WITH STC FIRST. AT SUGGESTION OF COMMERCIAL COUNSELOR, SEMLER WILL EMPHASIZE ISSUE OF QUALITY, CONSISTENCY, AND IMPROVEMENTS IN US VS POLISH PRODUCTS AS WELL AS ROLE WHICH ABBOTT CAN PLAY IN HELPING INDIA MEET RAPIDLY GROWING PHARMACEUTICAL NEEDS. HE PROMISED TO REPORT BACK TO EMBASSY ON OUTCOME OF MEETINGS WITH GOI.

8. EMBASSY WILL REPORT FURTHER DEVELOPMENTS.

DECONTROL MARCH 29, 1974.
MOYNIHAN

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